



Date: June 4, 2002

Subject: OCFO Bulletin #2002-002, Positive Confirmations of
Trading Partner Balances

To: All Agencies

PURPOSE

The purpose of this bulletin is to clarify Departmental Accounting Policy AP-01, as amended, for the identification and reconciliation of intradepartmental transactions for all Department of Agriculture (USDA) agencies.

DEFINITIONS

Intradepartmental: Transactions occurring between USDA organizations, such as internal agreements.

Trading Partner: The governmental agency participating in transactions with USDA organizations.

Reciprocal Accounts: Corresponding standard general ledger (SGL) accounts that should be used by a providing and receiving agency to record like intradepartmental transactions. For example, the providing agency's accounts receivable would normally be reconciled to the reciprocal account, accounts payable, on the receiving agency's records.

BACKGROUND

Departmental Accounting Policy AP-01-001 prescribes the policies and procedures for identifying, reconciling, and reporting intradepartmental transactions to facilitate elimination of intradepartmental balances for the consolidated financial statements. This policy requires certification that each agency has identified and reconciled intradepartmental transactions with all USDA agencies. The procedures require communication of intradepartmental activity and balances by Reciprocal Account, determination whether any differences exist and resolution of those differences.

The elimination of intradepartmental activity for the consolidated financial statements requires that the same amount must exist in each trading partner's general ledger in reciprocal accounts. In cases where agencies fail to confirm balances to their trading partners, or confirm without researching the amounts and accounts, the process could result in material misstatement of the consolidated financial statements.

RESPONSIBILITIES

The Chief Financial Officer of each USDA organization is responsible not only for the financial statements of his or her own agency, but also for reporting intradepartmental transactions according to policy for elimination in the consolidation of USDA accounts.

POLICY

Positive confirmation with trading partners of intradepartmental balances as recorded in the general ledger is required. This includes communication of intradepartmental activity and balances by account, determination of whether any differences exist, and resolution of those differences by recording a

correcting entry to the general ledger. It also requires that agencies account for intradepartmental activity in a manner to be able to readily identify the related amounts and accounts in the general ledger.

CORRECTIVE ACTIONS

By July 31, 2002 agencies must be able to account for intradepartmental activity and balances by trading partner and reciprocal account in the general ledger in order to provide positive confirmation of intradepartmental balances. Any agency without that ability must immediately revise its processes in order to provide a meaningful Certification of Intradepartmental Transactions, and to provide general ledger accounting sufficient for the elimination of intradepartmental balances from the consolidated financial statements.

If the two agencies cannot reach agreement on the amount subject to elimination, the entities should contact the Associate Chief Financial Officer for Controller Operations.

INQUIRIES

Any questions concerning this bulletin should be directed to Jon Holladay on (202) 619-7642.

EFFECTIVE DATE

This bulletin is effective immediately.

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